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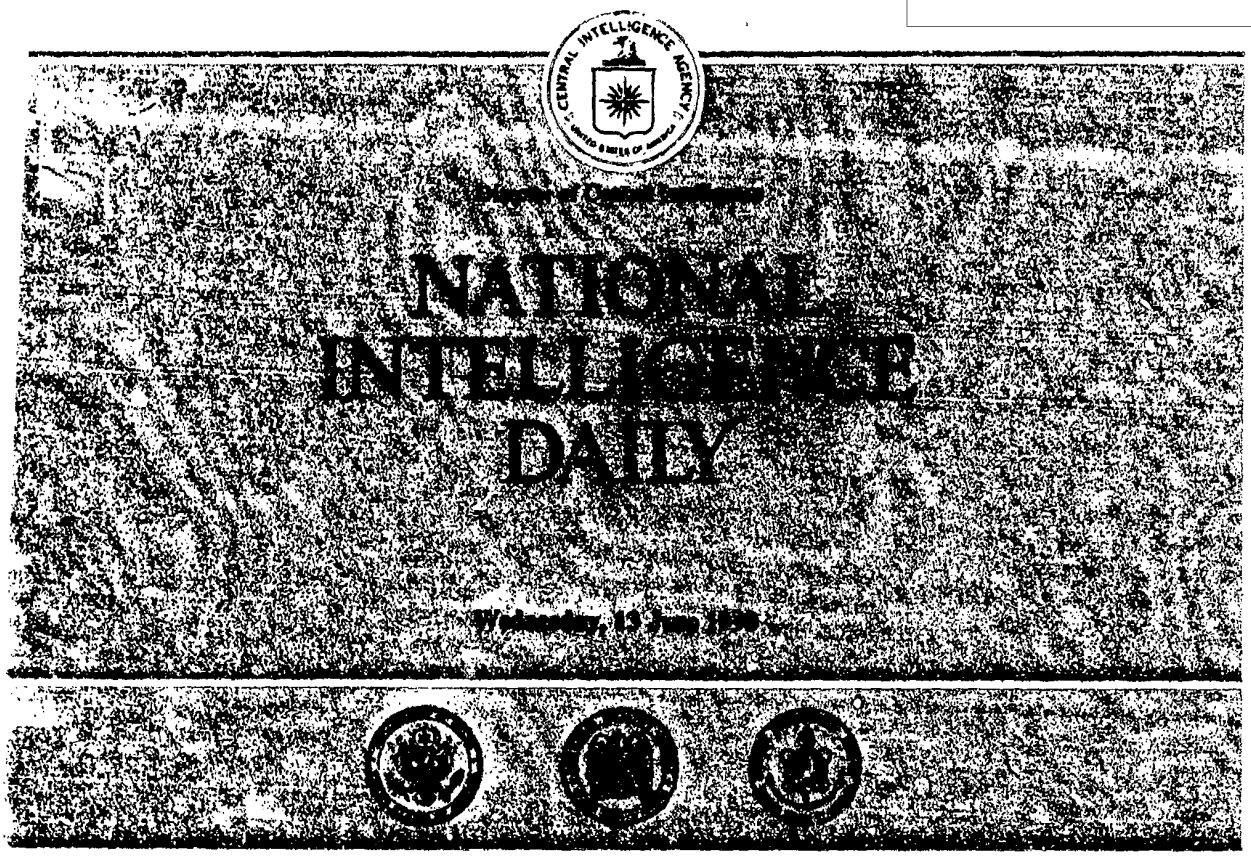

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## Contents


| | | |
|---|---|---|
| | **USSR:** Gorbachev Sells the Summit to Supreme Soviet | 1 |
| | **West Germany:** Growing Optimism on Rapid Unification | 2 |
| | **USSR:** Gorbachev Managing Party Congress Preparations | 3 |
| | | |
| **Notes** | **USSR:** Baltic Leaders Upbeat After Meeting Gorbachev | 5 |
| | : Russian Republic Declares Sovereignty | 5 |
| | **UK:** Thatcher's Ideas on NATO | 6 |
| | **Romania:** Police Break Up Bucharest Demonstration | 6 |
| | | |
| | **Hong Kong:** Unions Protest Foreign Labor | 8 |
| | **Canada:** Meech's Last Hurdle | 9 |
| **In Brief** | | 10 |

Top Secret

## Moscow Edging Toward Accommodation on Germany in NATO

Gorbachev yesterday called again for a united Germany to have an "associative" membership in both alliances during the transition to a new security order, but he added several new wrinkles. He suggested that West German forces could remain integrated in the NATO military command, East German forces be subordinate to the new German government, and Soviet forces remain on East German territory during the transition. He urged NATO to match changes mandated at the recent Warsaw Pact summit, calling in particular for the meeting of NATO heads of state in July to revise the Alliance's military doctrine.

Gorbachev's new twist on dual membership indicates Moscow is moving toward accepting a united Germany in NATO. It suggests he perceives the talks Monday between Foreign Ministers Genscher and Shevardnadze and his own discussions last week with Prime Minister Thatcher as laying the groundwork for a viable compromise.

The Soviet President carefully avoided setting a timetable for the "transition" that would imply a deadline for withdrawal of Soviet forces. The issue may be a sticking point for Bonn, but he probably regards favorable consideration of Soviet interests at the NATO summit and completion of a declaration on the "rapprochement" between the alliances as key steps in setting a time frame. Even if the West rejects his proposal for purely political ties between Germany and the Pact, Gorbachev may believe that he can present German membership in NATO as safeguarding Soviet interests if NATO makes a formal commitment to change its military doctrine, German national forces are limited, and a hefty economic package is agreed.

Moscow probably believes that it has made progress toward limiting German forces that could clear the way for Gorbachev's proposed compromise on German NATO membership. The Soviets have made it clear at the CFE talks and in numerous contacts with Bonn that they want the military personnel of a unified Germany capped at about 50 percent of current strength. The Soviets and Germans already have been discussing how to reduce German manpower in CFE and may agree on an overall personnel limit for Central Europe or restrictions on the number of troops any single country in that region could maintain. Gorbachev undoubtedly wants a politically binding commitment to pursue these cuts at the ongoing negotiations in Vienna.

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USSR: **Gorbachev Sells the Summit to Supreme Soviet**

***Speaking before the Supreme Soviet yesterday, President Gorbachev portrayed the Washington summit as a major success; as he grapples with mounting domestic crises and is unable to show near-term economic payoffs, however, his foreign policy initiatives are likely to be a declining political asset. Gorbachev emphasized that the US leadership and public now had confidence in the USSR and had started the shift from verbal support of perestroyka to action.***

He credited President Bush personally with much of the summit's success. He specifically cited the US President's "courage" on the trade accord and his "balanced, responsible approach to the most profound, revolutionary changes in the Soviet Union." Gorbachev went to considerable lengths to show the Supreme Soviet that he was delivering the economic goods:

— He catalogued and explained the economic agreements in great detail, in an obvious effort to convince his audience of their near-term benefits.

— He expressed personal gratitude to President Bush for his handling of the trade agreement, while taking pains to suggest that passage of the pending Soviet emigration bill was not directly linked to the trade pact.

Gorbachev defended agreements reached on START and other arms control issues, in part to build support for their ratification by the Supreme Soviet. He termed START a "coordinated balance of concessions and interests" and struck out at treaty critics:

— He emphasized that the cruise missile provisions, particularly on range and on SLCM numbers, represented important and hard-won concessions from the US.

— On the issue of noncircumvention and inclusion of Soviet naval bombers, Gorbachev demonstrated his toughness by declaring US positions unacceptable. In doing so, he made future compromise on his part more difficult.

**Comment:** Gorbachev's foreign policy successes seem to be a declining asset. While he was in the US, ordinary Soviets seemed more interested in Soviet food shortages and in Boris Yel'tsin's struggle to become president of the Russian Republic than in US-Soviet summitry. The questions Gorbachev got at the end of his report to the Supreme Soviet also suggest that the Soviet public's main interest in foreign policy is how it can improve the domestic situation.

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## Electoral Considerations for an All-German Election

West Germany's system of modified proportional representation requires parties to win 5 percent of the national vote or direct elections in three districts to gain a seat in parliament. The 5-percent rule, which does not exist in East Germany, discourages the splintering of the political system through the rise of small often extremist parties.

Although a united Germany probably will adopt West German electoral laws intact, Chancellor Kohl might see political advantages in changing the 5-percent rule for the first all-German vote. East Germany's German Social Union, an ally of his Christian Democrats, almost certainly will fall well below 5 percent. Kohl also may want to keep several leftwing parties in East Germany alive so that they can draw votes from the Social Democrats.

Kohl would face charges of manipulation if he proposed a threshold of 2 or 3 percent for a united Germany. He might try to suspend the 5-percent rule in eastern Germany, however, as East German Prime Minister de Maiziere has requested. This course would be easier to follow if the December or January vote takes the form of separate elections in the two Germanys, with East German deputies later entering a united parliament.

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## WEST GERMANY: Growing Optimism on Rapid Unification

***The West Germans, increasingly optimistic Moscow can be persuaded to accept a united Germany in NATO, probably will press for actions at the NATO and Group of Seven summits in July that meet at least some of President Gorbachev's demands.***

West German Foreign Minister Genscher last week assured Chancellor Kohl that the Soviets are prepared to accept a united Germany in a changed NATO and that the two-plus-four talks could conclude in September, according to the West German news magazine *Der Spiegel*. Yesterday the Chancellor rejected Gorbachev's proposal for associate membership for Germany in both alliances but called for bilateral nonaggression pacts between individual CSCE members.

At the summit Kohl reportedly will press for changes in NATO strategy and will urge the US and the EC to reply positively to Moscow's call for $20 billion in economic assistance. Kohl is confident East Germany will accede under Article 23 of the West German Constitution by the fall and that unity will occur during or before elections in both Germanys. Yesterday the East German Christian Democratic legislative caucus called for the first time for accession by the fall and for an all-German election by December.

The West German Social Democrats (SPD) now claim to be satisfied with the terms of the economic and monetary union.

**Comment:** The West Germans clearly believe a two-plus-four compromise on a united Germany in NATO is in the works, and, even though Kohl rejected dual membership, Gorbachev's announcement probably will reinforce their optimism. Kohl's statement on nonaggression pacts did not respond to any Gorbachev proposal; it probably was designed to show Moscow that Bonn appreciates the need for new CSCE-based security arrangements and to keep the door open for discussion.

At the July summit the West Germans are likely to push for a NATO commitment to changes in military doctrine and expanded ties to the Warsaw Pact. They will urge a G-7 commitment to generous Western aid for Gorbachev. Kohl and Genscher will argue that Gorbachev needs to bring a Western offering to the July party congress. Kohl, meanwhile, wants to improve his own electoral prospects and probably expects that a two-plus-four endorsement of a unified Germany in the runup to an all-German election will enhance his position.

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USSR: **Gorbachev Managing Party Congress Preparations**

***President Gorbachev appears firmly in control of preparations for the 28th Party Congress that opens on 2 July; he is trying to accommodate demands for faster reform of the party and for a separate Russian Communist Party.***

party functionaries probably will account for 40 percent of the 4,700 delegates. Leaders of the radical reform group Democratic Platform expect to have only 10 to 20 percent of the seats, despite their widespread support among the rank and file. They should have greater influence at the Russian Republic party conference next week.

Last week moderate Politburo member Vadim Medvedev said a Central Committee commission has radically revised the much-maligned draft CPSU platform making it agree with many DP planks. He asserted that the revised platform meets the DP demand that the CPSU transform itself into a parliamentary party; it is not clear whether the party will renounce its claim to a vanguard role. The draft retains the principle of democratic centralism but offers a more flexible interpretation of it. Last Saturday Gorbachev met with the Central Committee's Russian Bureau to endorse forming a separate Russian Communist Party. He said it could elect its own leadership at a conference of Russian Communists next week or wait until after the CPSU congress.

**Comment:** Sharp divisions between the elected delegates will ensure fireworks at the congress, but Gorbachev probably is counting on the large contingent of party officials concerned about protecting their careers to help him shape its outcome. The absence of broad party support for the hardliners will reduce their influence at the congress. The changes in the platform suggest Gorbachev intends to institute reforms to restore the party's flagging credibility and address enough of the radicals' concerns to prevent large-scale defections. He is unlikely to satisfy DP demands such as dismantling much of the party apparatus, which would weaken one of his key instruments of power.

Because a majority of the congress delegates will attend next week's Russian party conference, Gorbachev probably believes he can install a Russian party leadership that will not defy central party control. Gorbachev badly misjudged his ability to get the new Russian legislature to reject Yel'tsin as chairman, and over time the Russian party is increasingly likely to develop its own agenda.

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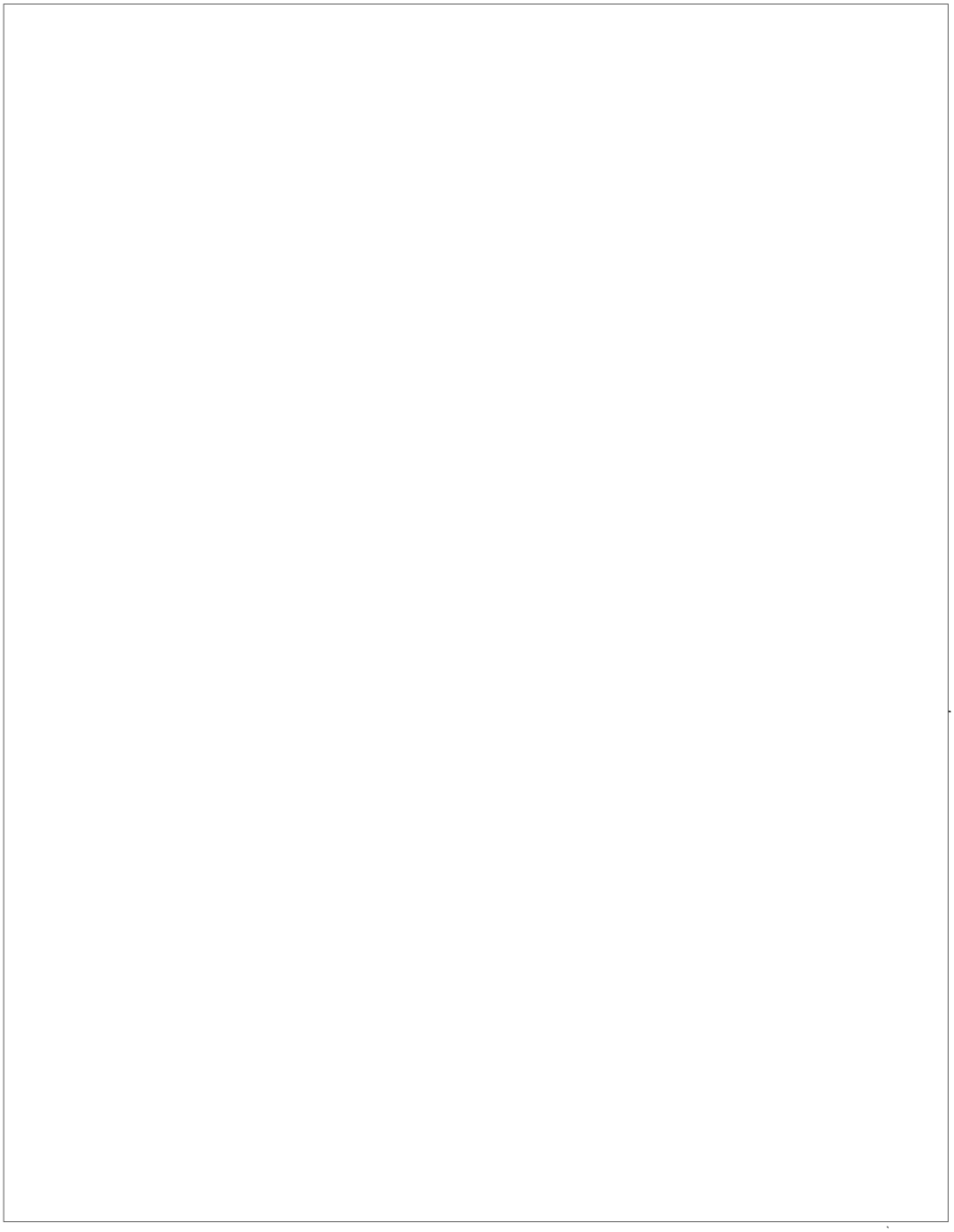

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## Lithuania: Coping With the Embargo

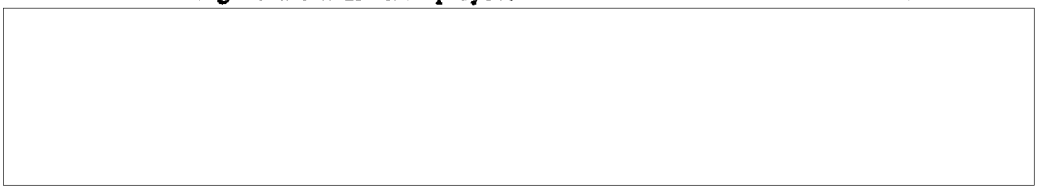
Moscow's eight-week-old embargo has significantly disrupted the Lithuanian economy, but consumers and workers are coping well, treating it as an extreme manifestation of perennial shortages. The biggest problem remains the shortage of fuel and energy supplies.

Living standards have declined, but severe hardships have been avoided:

- Hot water and natural gas for cooking in urban homes are not always available, and brownouts have occurred. Rural areas, however, have adequate supplies of bottled gas.
- Bus service has been cut by a third, and the Lithuanian government has banned gasoline sales for private automobiles.
- Supplies of food and consumer goods appear adequate; rationing is restricted to items in short supply throughout the USSR such as sugar.
- Highway border crossings are not carefully monitored, according to recent US Government travelers, and border guards reportedly turn a blind eye to embargo running or are easily bribed.

Only a few industrial plants have closed, but most enterprises are operating at reduced levels:

- The list of nonenergy embargoed items such as steel and plastics remains small, and supplies reportedly continue to enter.
- As much as 5 percent of the labor force has been laid off or sent on early vacation, but a much larger share is underemployed.



- Lithuanian officials are trying to get embargoed inputs from other republics and foreign sources, but their efforts are hampered by Moscow's selective denial of access to transportation routes entering the republic and to hard currency.

**USSR: Baltic Leaders Upbeat After Meeting Gorbachev**

At a press conference after the meeting yesterday of the heads of the Baltic republics and President Gorbachev, Lithuanian President Landsbergis said he would not detail the discussion before consulting his parliament. He and Latvian President Gorbunovs said Gorbachev continued to press them to freeze their independence declarations, but they and other officials provided journalists with optimistic characterizations of the meeting and Gorbachev's "new attitude." Speaking to the Supreme Soviet earlier yesterday, Gorbachev repeated his preconditions to talks and warned that, although he was committed to a political solution, he might have to opt for tougher measures.

**Comment:** The Baltic leaders apparently see some give in Gorbachev's position even though his publicized remarks suggest he is holding firm. Gorbachev had probably agreed to meet the Balts to test their resolve after his US visit, which he had portrayed as supporting his policies.

**USSR: Russian Republic Declares Sovereignty**

The declaration of republic sovereignty that the Russian Republic (RSFSR) Congress passed yesterday, although it still lacks the force of law, will be the basis for a new republic constitution and for renegotiation of the treaty binding the republic to the union. It asserts the primacy of RSFSR laws over national legislation and reaffirms the republic's right to secede, but it states the republic intends to remain part of a renewed union. Although the declaration passed virtually unanimously, the legislature rejected a provision that would have given it legal force.

**Comment:** The overwhelming support for the declaration presages battles with Moscow, particularly over the republic's efforts to take control of its economy. If the center attempts to curtail the republic's push toward economic and political autonomy or if the new union treaty fails to meet the RSFSR's expectations, the republic may move to give its declaration legal teeth. Moscow is not likely to make more than a verbal response unless its authority is directly challenged, but the declaration puts more pressure on President Gorbachev to develop a new framework for the federation.

**UK: Thatcher's Ideas on NATO**

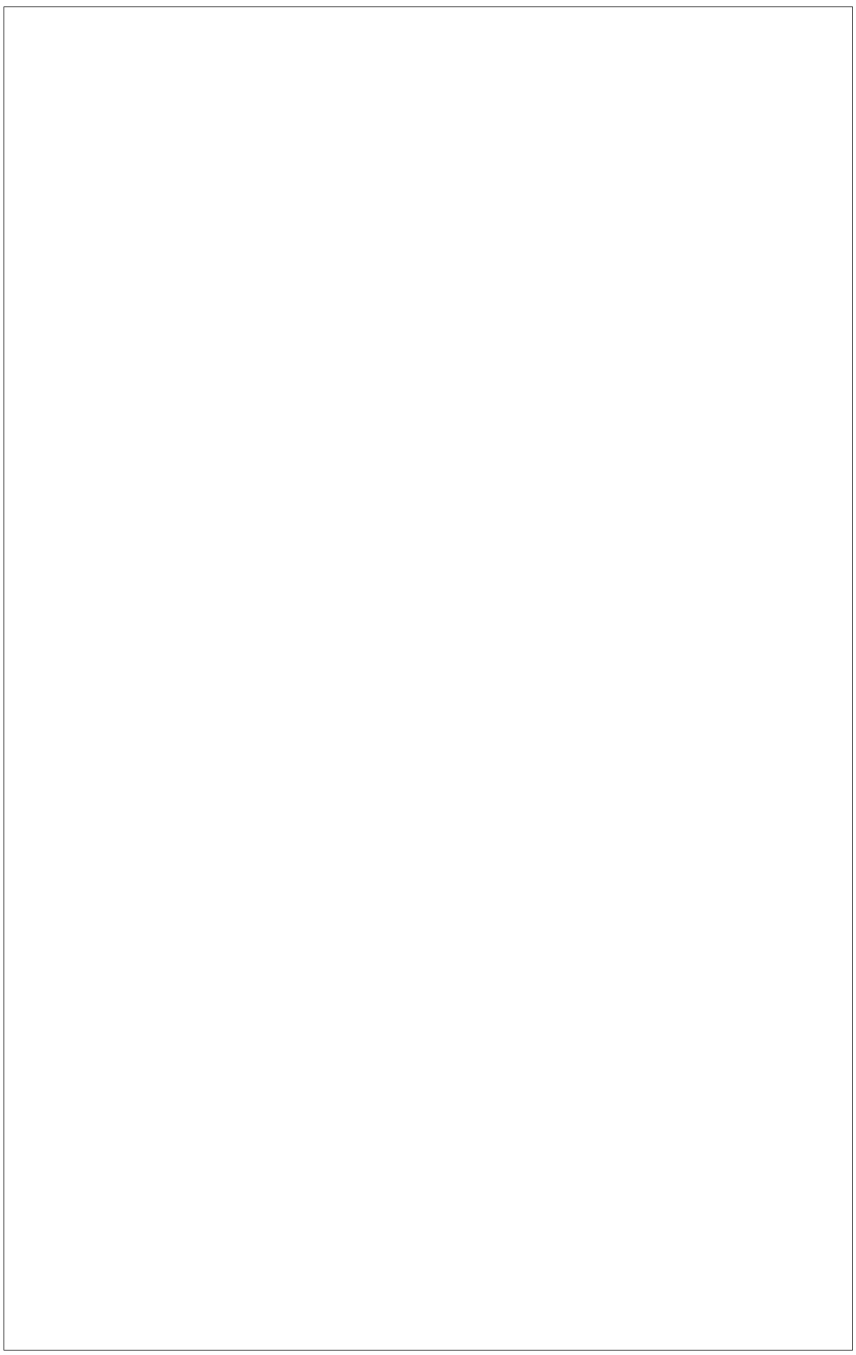
Prime Minister Thatcher's recent remarks on a broader economic and political role for NATO are in keeping with her efforts to maintain US ties to Europe. Speaking to a journalist in Kiev last weekend, Thatcher raised the possibilities of a free trade zone for the US, Canada, and the EC and of linking the dollar to the European Monetary System. She reiterated her support for a more political NATO in an attempt to assuage Soviet fears about a strong Western Alliance that includes a united Germany.

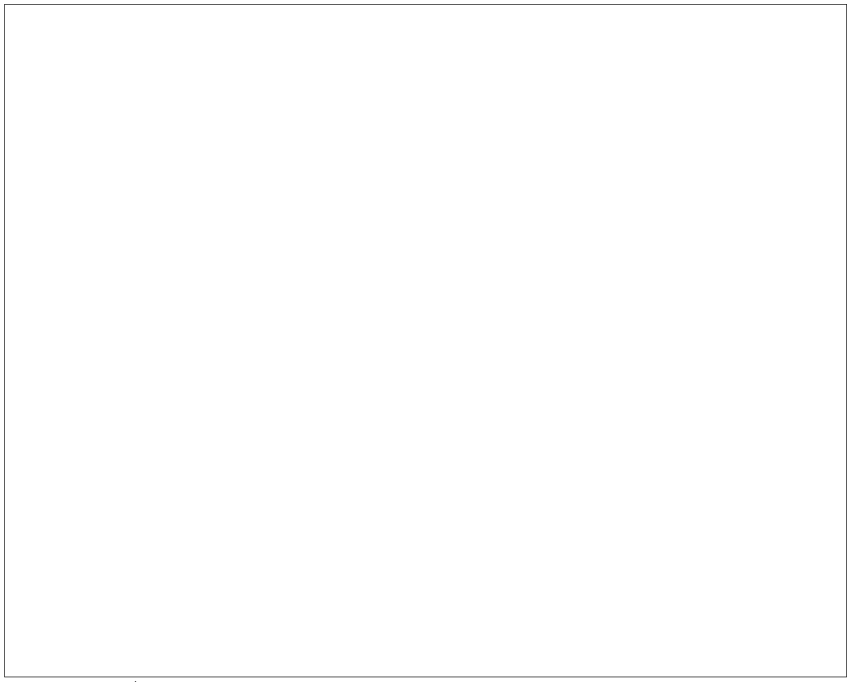
**Comment**: Thatcher probably was speaking off the cuff. She continues to worry that the EC drive toward integration will make Europe more protectionist and probably believes a greater economic role for NATO could help deflect Soviet criticism of NATO's military posture. Other West Europeans probably will see her remarks as an attempt to undermine prospects for EC monetary and political union and a greater say in NATO. The Foreign Office is likely to try to dissuade Thatcher from the free-trade-zone idea for fear of sparking disagreements at next month's NATO summit.

**ROMANIA: Police Break Up Bucharest Demonstration**

Riot police broke up the seven-week-long antiregime demonstration and the monthlong hunger strike in Bucharest central square before dawn this morning, according to accounts given to journalists in the city. The police also dismantled the tent city in which the strikers had been camping. The protesters had been demanding the removal of officials associated with Ceausescu's deposed regime.

**Comment**: The police move indicates President Iliescu has taken his National Salvation Front's landslide election victory last weekend as a mandate to use Ceausescu-like tactics to maintain public order. Opposition leaders are likely to react in kind and attempt to mobilize greater resistance to the government.





**HONG KONG: Unions Protest Foreign Labor**

About 1,000 members of the Federation of Trade Unions demonstrated on Sunday against a government plan to import about 15,000 more craftsmen, supervisors, and construction workers from China, the Philippines, and Thailand. The trade unionists fear losing their bargaining power with employers and slower wage increases in Hong Kong's inflationary economy; retail prices rose about 10 percent last year. According to government statistics, job vacancies rose to about 85,000 last year, in part because of emigration driven by fear of the territory's return to Chinese control in 1997.

**Comment:** By allowing more foreign workers, the government hopes to ease the chronic labor shortage and sluggish economic growth; GDP grew only 2.5 percent last year. Staffing difficulties and rising wages have fueled inflation, lowering the competitiveness of Hong Kong's exports and causing firms to move production facilities to other countries. The government probably will face increasingly strong opposition to foreign workers after the legislative election next year; unions are politicizing the issue by joining with Hong Kong's first political party, which supported the rally on Sunday.

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**CANADA: Meech's Last Hurdle**

Chances are slightly better than even that Newfoundland's legislature will approve the Meech Lake accord by the deadline on 23 June. Although Premier Clyde Wells opposes the accord, he has pledged not to campaign against it and has invited Prime Minister Mulroney and other leaders who favor it to address the legislature. Wells' Liberals hold 31 seats and the Conservatives, who solidly back Meech, hold 19; the position of the two independents is unclear. The support of the Premiers of Manitoba and New Brunswick virtually ensures legislative approval of the accord in those holdout provinces

**Comment:** Newfoundland's legislators traditionally toe the line, but much will depend on Wells' behind-the-scenes activity on the eve of the vote. Although he wants to preserve his image as a crusader against the accord and for equal rights among the provinces, he may offer to tone down his opposition in exchange for economic concessions from Ottawa and Quebec. Enough Liberal politicians probably will join the Conservatives to approve the accord by a narrow majority; they are reluctant to shoulder the blame for the political turmoil that would follow a defeat and fear that the accord's failure would hurt the province's economy.

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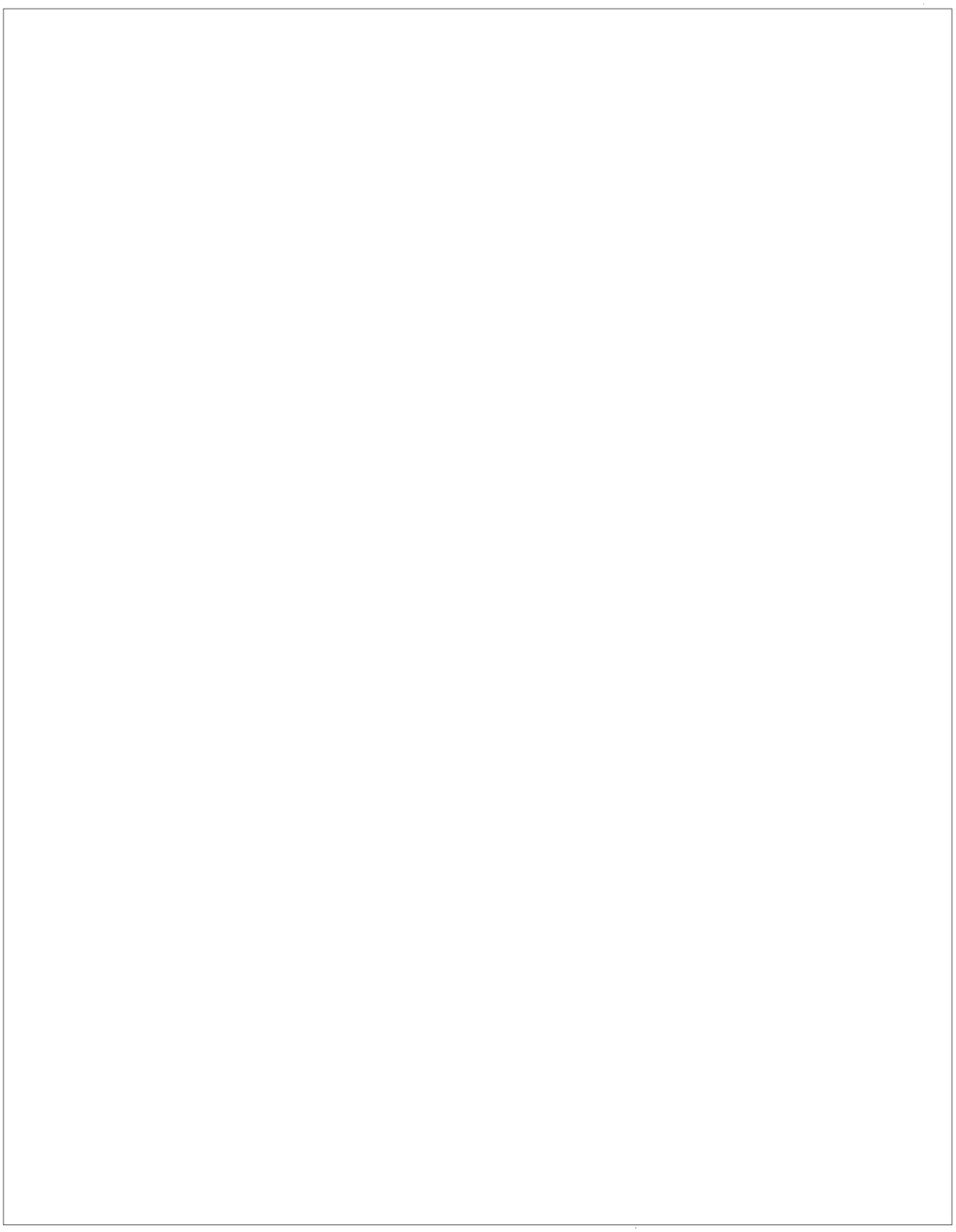

## In Brief

**USSR**

— **USSR** legislature passed law abolishing press censorship . . . makes officials criminally liable for interfering in journalists' work . . . allows publications by individuals for first time . . . regime might still find ways to stifle newspapers.

— **Soviet** Premier Ryzhkov presented case for government's economic program at meeting Monday of republic, local party leaders . . . using delay in Supreme Soviet debate, now set for today, to lobby for support, counter criticism.

— *Izvestiya* reports **Soviet** industrial production through May about 1 percent lower than last year . . . incomes increasing twice as fast as goods, fueling inflation . . . 11-percent drop in Lithuanian production shows embargo having an effect.

**Europe**

— **Czechoslovak** President Havel to keep Calfa as Prime Minister . . . the Slovak and former Communist has won public respect for loyalty to Havel, reforms . . . Slovaks will press for other important ministries as well.

**Middle East**

— **Lebanon's** Maronite Patriarch Sfayr met for first time with President Harawi, Prime Minister Huss yesterday . . . Sfayr urging unity, probably unhappy at **Vatican** support for Christian leader Awn . . . might be mediating between Awn, Harawi.

— **Iran's** Consultative Assembly yesterday reelected hardliner Mehdi Karubi as Speaker for another year . . . his two deputies also reinstated . . . shows hardliners continue to dominate the Assembly.

**Africa**

— Peace talks begun yesterday between **Liberian** Government, rebels already stalemated . . . government rejects rebel demand President Doe resign before cease-fire . . . parties unlikely to find common ground, rebels probably will up military pressure.